

# Auditor's Summary

## Financial and Compliance Audit of the Department of Transportation, Highways Division

Financial Statements, Fiscal Year Ended June 30, 2018



PHOTO: HAWAII DOT HIGHWAYS DIVISION

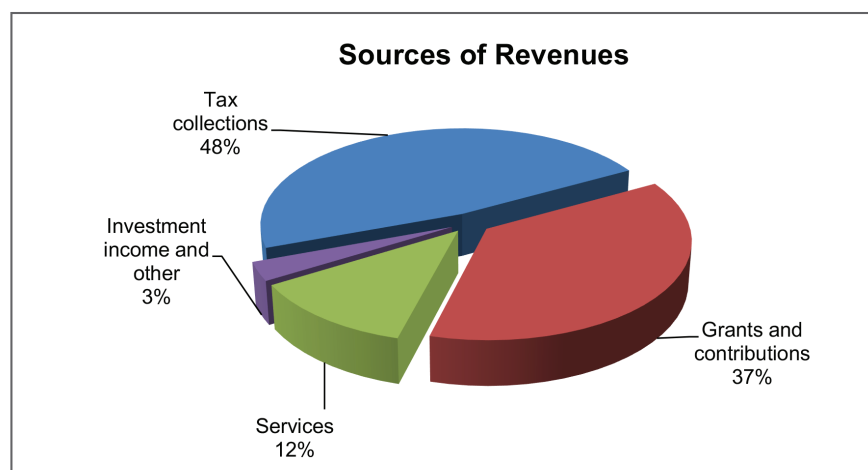
**THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Highways Division (DOT-Highways), as of and for the fiscal year ended June 30, 2018, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by BKD, LLP.

### About the Division

**THE MISSION OF DOT-HIGHWAYS** is to facilitate the rapid, safe, and economical movement of people and goods within the State by providing, maintaining, and operating land transportation facilities and support services. The major goals of DOT-Highways are to plan, design, construct, and maintain highway facilities. In addition, DOT-Highways, together with the Statewide Transportation Planning Office, implements innovative and diverse approaches to congestion management to increase the efficiency of the transportation system.

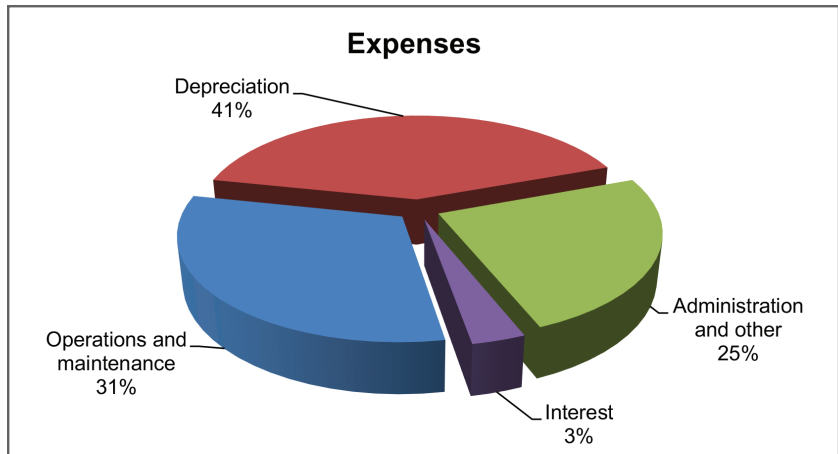
### Financial Highlights

**FOR THE FISCAL YEAR** ended June 30, 2018, DOT-Highways reported total revenues of \$466 million, total expenses of \$514 million, and transfers of \$2 million to other State departments for the payment of debt service on general obligation bonds and for capital improvement projects, resulting in a decrease in net position of \$50 million. Revenues consisted of \$222 million in tax collections, \$173 million in grants and contributions primarily from the Federal Highway Administration, \$57 million in charges for services, and \$14 million in investment income and other revenues.



Expenses consisted of \$160 million for operations and maintenance, \$211 million in depreciation, \$126 million for administration and other expenses, and \$17 million in interest.

As of June 30, 2018, total assets and deferred outflows of resources of \$5.47 billion were comprised of cash and investments of \$380 million, net capital assets of \$5.04 billion, and \$51 million in other assets and deferred outflows of resources. Total liabilities of \$655 million included \$479 million in revenue bonds.



DOT–Highways has numerous capital projects ongoing statewide; construction in progress totaled \$419 million at the end of the fiscal year.

## Auditors' Opinions

**DOT – HIGHWAYS RECEIVED AN UNMODIFIED OPINION** that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT–Highways also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

## Findings

**THERE WAS ONE MATERIAL WEAKNESS** and one significant deficiency in internal control over financial reporting that are required to be reported under *Government Auditing Standards*.

### Material Weakness

- Capital improvement projects were not reviewed timely, which resulted in both recorded and proposed audit adjustments to the financial statements.

### Significant Deficiency

- Highway Safety Cluster federal expenditures were misclassified in the preparation of the Schedule of Expenditures of Federal Awards.

**THERE WERE NO MATERIAL WEAKNESSES** and one significant deficiency in internal control over compliance in accordance with the *Uniform Guidance*.

### Significant Deficiency

- Cash drawdowns from the federal awarding agency were made prior to payment to the subrecipient which is not in compliance with cash management compliance requirements.

For the complete report and financial statements visit our website at:  
[http://files.hawaii.gov/auditor/Reports/2018\\_Audit/DOT\\_Highways\\_2018.pdf](http://files.hawaii.gov/auditor/Reports/2018_Audit/DOT_Highways_2018.pdf)